Info Note

A SME self-assessment tool: integrating an impact- & investment scan and a pre-matching platform

A prototype designed by actors of the sustainable finance community

Jana Koerner, Susanne Mira Heinz, Dhanush Dinesh

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Key messages

- Scaling up sustainable finance in agriculture is limited by several systemic bottlenecks.
- To address these, CCAFS organized a design thinking series with actors of the sustainable community
- The final prototype is a SME self-assessment tool that can help to accelerate SME's investment readiness.

Sustainable finance is one of the most promising vehicles for food system transformation. To explore its full potential, we need to address core market failures that still exist. To accelerate the scaling of sustainable finance for food system transformation, CCAFS and MAFF Japan organized a series of virtual design thinking workshops with > 20 complementary actors of the sustainable finance community, between October 2020 and April 2021.

Addressing three systemic bottlenecks

Participants' quote: 'Any work in isolation will not make sense until we have practical utility of that'.

Based on recent reports (e.g. Millan, Limetkai and Guarnaschelli, 2019, see here), the Sustainable Finance Challenge Series turned the following three bottlenecks into design challenges, for the design teams to address:

- **Deep pipeline:** Design the ideal deep pipeline for bankable projects, in order to offer promising proof of concepts or (SME) business models that are already tested and ready to scale - hosted by and with the relevant stakeholders.
- **Knowledge platform**: Design the ideal knowledge platform with the aim to a) generate market intel to assess, quantify and reduce risk and b) to develop science based environmental, social and governance (ESG) frameworks to measure ESG impact for investors - hosted by and with the relevant stakeholders.
- **Deal matchmaking platform**: Design the perfect deal matchmaking platform that connects aggregated portfolios with different blended finance structures, matching these to investors' risk-return profiles - hosted by and with the relevant stakeholders.

Virtual design thinking curriculum: Sustainable Finance Challenge Series

Duration	Format	Design Thinking Phase	Tools and Methodologies
July - Sept 2020	Stakeholder consultation	Concept	Conversation
October 2020	Kick-off workshop	Understand	Peer-interviews, semantic mindmaps
November 2020 - March 2021	Team sessions	Empathize	FDGs, "in the shoes of"
		Define	Point-of-view statements
		Ideate	Brainstorming, ranking
		Prototype	Offline drawing, online prototype
		Test & iterate	Designers' pitch, tester's grid
April 2021	Final event	Synthesis	Feeback & next steps

CGIAR RESEARCH PROGRAM ON Climate Change, Agriculture and Food Security CCAFS

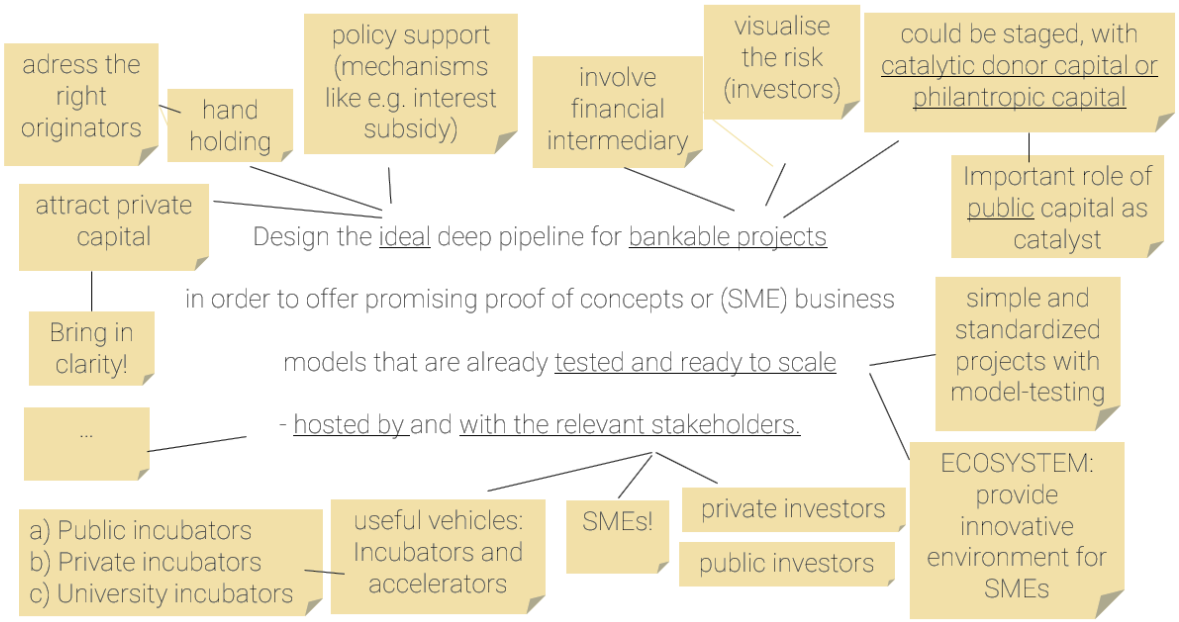


Figure 1: Exemplary mind-map of the pipeline challenge

The Sustainable Finance Challenge Series

Participants' quote: 'This is not your usual listening call, where there is a complex topic, and many people, and at the end there is a report …'

Following the kick-off meeting, participants divided into three teams of four 'designers' each, each addressing one main systemic bottleneck. Some participants acted as resource persons or gave expert opinions as 'testers' to the different prototypes. The outputs of all teams were then synthesized into one shared prototype and validated with all participants during a final event. The insights and principles that formed the building blocks of the proposed solution might feed into the current global dialogues to catalyze actions on food system transformation.

Main gaps and recurrent themes

'SMEs are the heart of the whole initiative. From farmers to exporters, along the value chains are businesses. This is where everything falls into place.'

From the whole innovation process the design teams identified gaps that span all three design challenges:

- **Translation gaps across disciplines:** Researchers need to understand what bankable projects are, which goes beyond being technically feasible and economically viable. SMEs need to get how transactional mechanisms look like with investors, farmers, and other supply chain actors, to come up with new tools, ideas, and tech solutions to minimize the risk both for the investors and the farmers. Finance actors need to know what is new in science.
- **Capacity gap:** SMEs need handholding when setting up and growing their businesses. Finance institutions need to increase their technical capacity to assess risks, and their confidence level.
- **Gap of tools & mechanisms:** Tools, instruments and frameworks that can help finance institutions (and other value chain stakeholders) to assess and quantify risks, returns and impacts, are rare.
- **Knowledge & data gap:** This is about replicability because generalizations in agriculture are difficult**.** What works where, what are comparable solutions in different places? How can we get (sufficiently) robust data?

A hack: reverse designing

At first, we approached the design challenges in the sequence they would be used. But during the design process, it made sense to first think about the outcome, and then re-engineer accordingly. Thus, we designed from a complex software back end towards a simplified user interface.

Sense-making: The challenge reframed

Participants' quote: 'This is really the idea of all … you cannot really tell anymore who said what ... when we join dots, the sum is much more viable than its individual pieces.'

With all gained insights, the team was able to formulate the one challenge that nailed it for all three design groups:

'Develop a digital self-assessment tool for SMEs in agri-food value chains, that quick-scans SMEs' risk-, return- and impact profiles, based on the most important info needed by (most types of) investors, while having a user-friendly, simple (automated) interface which guides the SMEs through the process.'

Figure 2: Synthesized point-of-view statements

… with the following attributes:

- Clarity, transparent, de-mystifying, credible, robust (data)
- Quick/efficient, standardized
- Dynamic, interactive, self-paced
- Comprehensive, self-learning
- Self-sustained, inter-operable, independent host.

… additional functions:

- Educational component (business case, model testing, showcasing)
- Empowering component (handholding, peer-learning)
- Validation component (third-party, real time)
- Relationships component (connecting SMEs and investors early on, regular activities)
- Aggregation component (for training or funding)

… and technical requirements:

- Educational component (business case, model testing, Based on the (5?) main (shared) filters of investors (e.g. national checklists, existing frameworks …)
- Based on national priorities (govs), climate risks & best bet solutions (R4D)
- Different layers (easy start, growing complexity)
- Different devices (offline, mobile, lap/desktop …)
- Layered access zones (payment schemes)
- Connects to existing platforms (e.g., profile can be exported …)
- Crowd-sourced info (climate risks/best bet solutions)
- Learning algorithm for matching

Hacks of the design teams:

‘Keep it simple! We investors will need it to be simple, too! De-mystify climate-smart agriculture!’

‘Make it popular like Tinder, and easy like selling on Amazon!’

Prototype: The SME self-assessment tool

Participants’ quote: ‘Exciting! And to be able to synthesize all the diverse opinions that came out into those couple of graphics, that to me was very, very impressive.’

The group designed a SME self-assessment tool, that helps SMEs to meaningfully engage with the Sustainable Finance Community. The gateway of the prototype has both a mobile and a computer interface: mobile to make sure reaching as many SMEs as possible – and also for keeping it simple. The tool provides quick and easy benefits for the SMEs, which basically need two things:

- Firstly, SMEs need to know their climate risks, and what is their sustainable impact;
- Secondly, they need to know which type of investment/ investor would be good for them.

The Sustainable IMPACT Scan

Figure 3 left side: With a web-based application, SMEs can assess their climate risks and calculate their sustainability impact. They are guided step by step to build up their sustainability score. This app is not only interesting for new SMEs but can also help existing ones to upgrade their profile and visibility. Thus, SMEs will be able to show how they de-risk their company, farmers, and value chain, plus how they provide positive impact. This will empower them in their negotiations with possible investors, clients and stakeholders.

The Sustainable INVESTMENT Scan

Figure 3 right side: The next step ensures more efficiency when SMEs prepare for investments. The different investor types offer very different instruments. The SMEs, however,

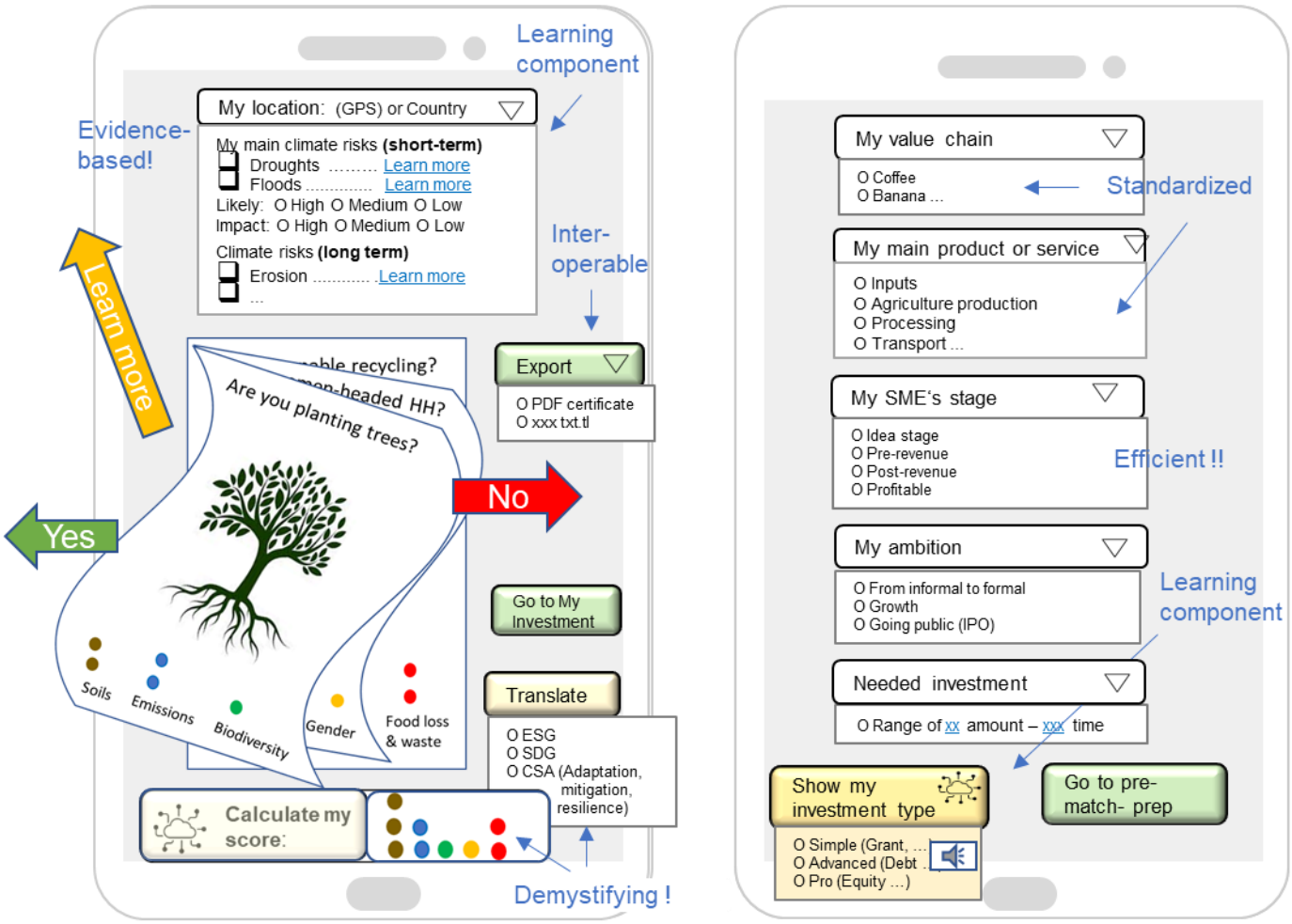


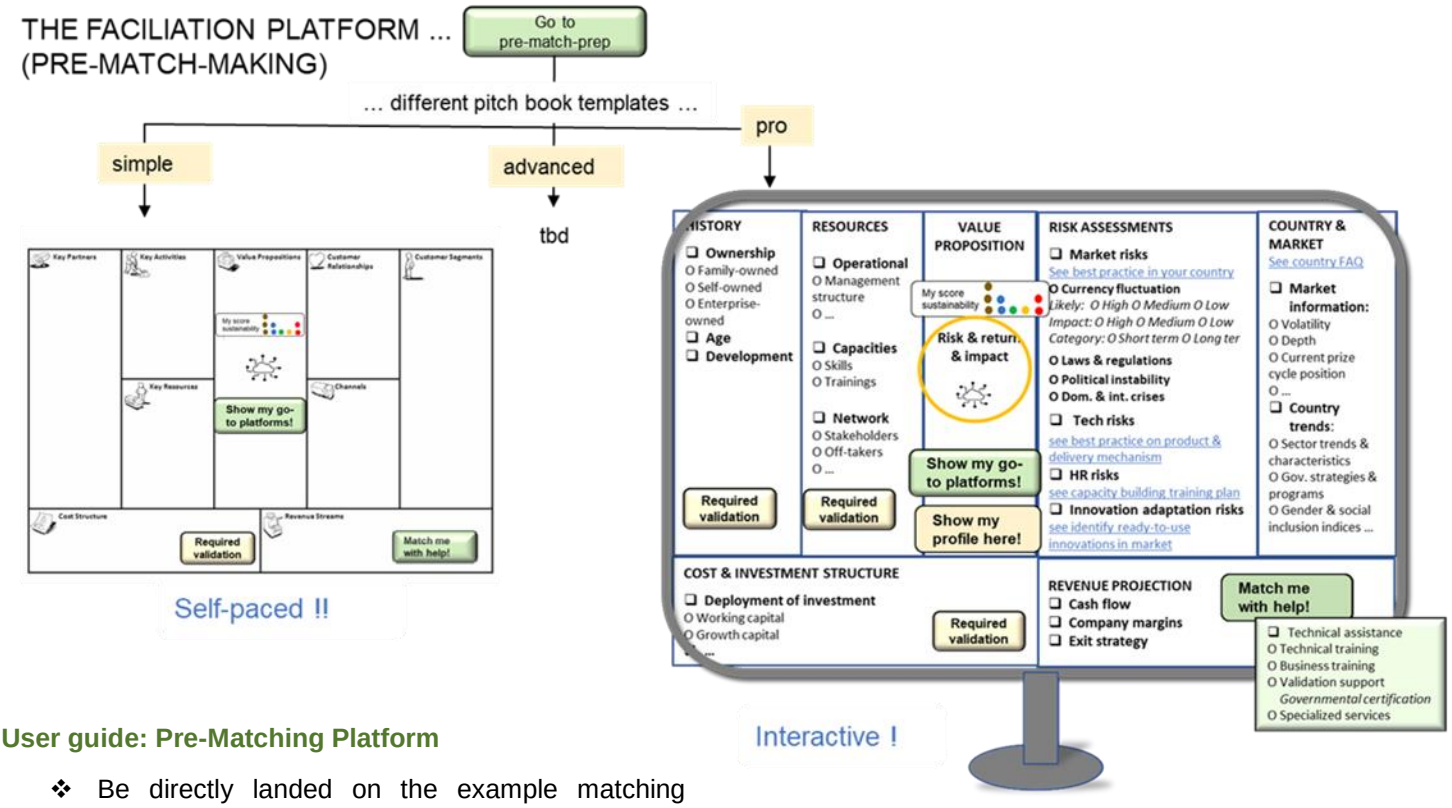
Figure 3: Prototype of the Sustainable Impact- and Investment Scan

User guide: Sustainable IMPACT Scan

- Insert country, or directly GPS location, and see the main climate risks of this location. There are also links and functions to learn more about these risks.
- Do a self-assessment on how likely these risks are, and how severe the impact would be. A simple score of high – medium – low will be enough for a start!
- Swipe through the possible options of climate-smart activities, which can contribute to mitigating these risks, and/or to provide a positive impact.
- While swiping left for yes, right for or no, or upwards for more information, the logarithm in the back end builds up the sustainability score of the SME.
- Translate the sustainability score into the different measurement frameworks, e.g., the SDG, or the ESG.
- Export the sustainability score, e.g., as PDF or by digital links to other platforms.
- Finally click 'Go to My Investment', to understand which type of investment would be most suitable.

User guide: Sustainable INVESTMENT Scan

- Indicate the value chain, e.g., coffee, banana, …
- Indicate the main product or service.
- Chose the maturity stage of the SME, e.g., idea stage, pre-revenue state, post-revenue state.
- Stipulate the ambition, e.g., to transit from informal to formal, to grow, or to go public. This is important to determine the type of investment needed.
- Finally, indicate the range of needed investment, both in amount and duration.
- Go to 'Show my investment type', to know which type of investment would probably be best, and why.
- SMEs can also check out the other investment types, to learn why or why not they are for them.
- With this all settled, SMEs can now take a next step, and venture onto the pre-matching platform, for preparation.



User guide: Pre-Matching Platform

- Be directly landed on the example matching canvas of the recommended investor type.
- Look up what kind of validation would be required, get examples and calculation tools, or get help.
- When prepared, click on 'show my to-to platforms' to get directed to suitable matching platforms.

Figure 4: Prototype of the Pre-Facilitation Platform

usually do not really know which investor would be good for them. Mostly, they do not even know which type of investment they are looking for. It makes a big difference, though, if one heads for a grant, or a loan, or equity. The investors, in turn, can already tell with very few criteria if an SME would be interesting for them. Flipping that, the prototype uses the same criteria for SMEs to self-assess for which kind of investment or investor they would qualify - or what would be good for them, in the first place.

The Pre-Matching Platform

See Figure 4: The Pre-Matching Platform addresses the funding gap in an innovative way: not by giving money, but by making the process faster. It takes a lot of time to make SMEs 'investment-ready'. The validation process takes a lot of effort and resources, and the different investors have very different requirements. Through the Sustainable Impact- and Investment Scan, SMEs already know what they are looking for, and the Pre-Matching Platform helps them to prepare for their first investor meeting.

On the platform, SMEs can access different pitch-books, that are tailored according to the needs/criteria of the different investor types. These range from very simple business canvas types to a full-fledged professional version, as they are used by large investor funds. Thus, SMEs can prepare in their own pace, but starting early and being ready before reaching their funding gap. Once investment-ready, the Pre-matching Platform guides the SMEs to their respective best-suited matching platform.

Accelerators or pro-bono consultants can also connect and help the SMEs to prepare. Thus, they can upskill themselves and upgrade their portfolios by using the sustainability scores, which in turn can help them to become more effective, and to gain more traction.

Main hacks: Sustainability Score

The sustainability score can be seen as main node for data interoperability between the different platforms. It should be built together with the main actors of the sustainable finance community.

If build as integral part of the conventional risk-return calculations, the sustainability score can serve as first aggregation tool for accelerators and/or investors.

Design teams' main takeaways

- Key learning: the platform must reflect the **right information points** of the collectors, the seekers of money, and the fund providers.

- The host should be **independent** (not research or academia), to encourage farmers and stakeholders to share (sensitive) information.
- The scale should depend on the respective task: With an **international host** convening and coordinating the transfer between regions ('replication'), and with strong **(sub-) regional or national windows** that translate to their contexts (legislation, prevalent value chains, climatic conditions, soils & water, …).
- **Hybrid revenue model**: Governments to sustain the platform with basic financial support, plus charging users a small proportion on any deals they make: The tool can save investors a lot of time, effort and money.

External feedback

The final prototype (video pitch & slides of the final event) was pitched to various external stakeholders, who recorded their feedback in tester grids:

- **I like about the idea**: Clear process, learning component, connecting GPS to climate risks, gamification approach, frugality – as early as possible, converging different aspects of all actors.
- **I dislike**: Risk of simplification, add more point-of-view statements, wide leap from SMEs to SDG & ESG.
- **I suggest (additional feature)**:
  … to differentiate between SMEs/accelerators that are 'quick wins', and the ones that would be great to survey data points,
  … to test with agri-cooperatives and -enterprises,
  … to include sustainability feature in existing platforms.
- **I raise the question**: Will there be differentiation between different sectors? What is the front end that investors see?

Next steps

This first round of design thinking itinerary focused on the desirability from the users' perspective. Iterations would emphasize at the technical feasibility, and finally the financial viability.

The prototype and included insights are open source, with the community around sustainable finance welcome to make use of it. At the same time, the design team will use this example to feed into dialogue and events in the run up to the UN Food System Summit and the CoP26, and the follow-up action plans.

Acknowledgement

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Participant's recap at the final event: 'When we started this in November, I was having my reservations. But then we have been pushed to achieve. And now looking back what we did, together as a team, with diverse backgrounds, working from different places, and building from three different streams into one conversion, one platform, I would say that is the one moment!'

Background document

Koerner J, Dinesh D, Nagano A. 2020. Investing in impacts to transform food systems in a changing climate. CCAFS Info Note. Wageningen, Netherlands: CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS). https://hdl.handle.net/10568/110277

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On the authors:

Jana Koerner (j.korner@cgiar.org) is the CCAFS Global Innovation Manager and member of the CGIAR/GIZ Task Force on Scaling.

Susanne Mira Heinz (susanne.heinz@circular-thinking.net) is founder of and facilitator/design thinking coach at Circular Thinking.

Dhanush Dinesh (d.dinesh@cgiar.org) is the global policy manager of the CCAFS.